



INDIANAPOLIS POWER & LIGHT COMPANY

November 1, 2000

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Ms. Janet McCabe,
Assistant Commissioner
IDEM - Office of Air Management
100 North Senate Avenue
Indianapolis, Indiana 46204

STATE OF INDIANA
DEPARTMENT OF ENVIRONMENTAL MANAGEMENT
OFFICE OF AIR MANAGEMENT

RE: Development of Nitrogen Oxides Budget Trading Program, 326 IAC 10-4

Dear Janet,

On October 30, 2000, the Indiana electric utilities submitted comments on the draft rule put forward by IDEM in response to the U.S. EPA's NOx SIP Call. In general, Indianapolis Power & Light Company supports the comments and positions stated in the letter, with one notable exception.

On the matter of Data for Allocating Allowances, IPL believes that the regulated community would be better served if the agency adopted an approach which provides that the allocation heat input for allowance allocation equals the five-year average heat input rather than the average of the highest two years' heat input from the five year period. This suggested allocation method would not impact the size of the NOx budget or the total number of allowances allocated to affected units under the program.

By extending the averaging period to encompass five years, the agency will provide more stability in the allowance allocations to individual utilities by tempering the impacts of extremes in unit heat input from control period to control period. Additionally, the added stability in allowance allocations will foster the development of the allowance trading market, which is crucial to achieving highly cost-effective reductions of NOx.

To assist the agency with the conceptual thinking that goes along with this suggestion, I have attached a time-line which is intended to provide clarification of the proposed allocation methodology that IPL is endorsing.

Please don't hesitate to contact me to discuss this proposal further. IPL looks forward to working with IDEM to develop a rule that responds adequately to the U.S. EPA's NOx SIP call without imposing undue burden on the regulated community.

Sincerely,

Terry M. Hogan,
Manager
Environmental Affairs

